

## Mid-Range Tesla Model 3 on the Way

By Miller Lyssikatos, J.D. Candidate 2020 | October 25, 2018

Tesla investors surely have the right to cringe at any headline about Elon Musk's tweets. After all, Musk's erratic tweets have resulted in an [SEC investigation](#), volatile [stock](#) prices, and a defamation [suit](#) by a Thai cave rescuer. However, Musk's recent tweet that Tesla will offer a [mid-range Model 3](#) may be an encouraging sign as Tesla strives for profitability.

The mid-range model will be priced at \$45,000 and will have a range of 260 miles. Previously, the cheapest Model 3 was priced at \$49,000. Tesla plans to eventually release a \$35,000-version of the Model 3, but that version will only be available in four-to-six-months.

Why did Tesla suddenly announce a mid-range Model 3? The first reason is likely market share. Tesla can increase the market size for the Model 3 by lowering the price for the mid-range model. The second, and potentially more important, reason is that the new mid-range Model 3 could solve Tesla's production issues.

The company has publicly struggled to reach a production goal of 5,000 Model 3s a week, partly on account of [battery cell shortages](#) at Tesla's Gigafactory 1. Tesla's long-range vehicles require more battery cells than the company's short-range vehicles. As a result, Tesla can produce fewer long-range, high-cost vehicles than mid-range, low-cost vehicles like the mid-range Model 3.

So, the new mid-range Model 3 could be a creative solution to the company's production woes. Tesla can produce more vehicles with fewer battery cells, and the company can keep the cars' price relatively high. Tesla can thereby side-step the battery cell production issues that have bottlenecked Model 3 production.

Investors can be cautiously optimistic about the new mid-range Model 3's ability to curb Tesla's production failures and catalyze the company's long-promised profitability.

